

How the Health Care Law Will Harm Jobs and the Economy

“A bill that says to someone, if you want to be creative, and be a musician or whatever, you can leave your work...because you will have health care...”

— Then-Speaker Nancy Pelosi, May 17, 2010¹

The Administration and Democrats in Congress have claimed the health care law will improve the economy. In reality, however, the unpopular new law contains numerous provisions that will slow economic growth and discourage new job creation.

Destructive Taxes. The health care law includes more than a half-trillion dollars in taxes on virtually every sector of the American economy.² For instance, the measure raises the Medicare payroll tax by a total of \$210.2 billion—leveling new taxes on many small businesses that serve as the engine of new job creation.³ Worse yet, this tax is not indexed for inflation, meaning it will hit more and more businesses over time. Imposing more new taxes on businesses in an already struggling economy is a recipe for prolonged stagnation.

Employers Penalized for Hiring Workers. The law forces employers who do not provide “acceptable” coverage to pay a “fair share” penalty of \$2,000 per full-time employee.⁴ The Congressional Budget Office (CBO) has confirmed that this “pay-or-play” mandate “could reduce the hiring of low-wage workers,” and could also lead to wage stagnation as wage compensation is diverted to comply with new federal taxes and mandates.⁵

Burdensome Regulations.⁶ Since the law’s enactment in March, the Administration has released more than 6,000 pages of regulations implementing the 2,700 page law.⁷ As many of the law’s major provisions will not take effect until 2014, it is likely that tens of thousands of pages of regulations will be released over the coming years—and decades—imposing new mandates and compliance costs on businesses, raising health insurance premiums, and exposing firms to potential penalties and lawsuits.

Mountains of New Paperwork Imposed by the IRS. The health care law creates what the National Federation of Independent Business called a “tremendous new paperwork compliance burden” on 40 million businesses, requiring them to file a form 1099 with the Internal Revenue Service for any goods or transactions exceeding \$600 per year.⁸ The National Taxpayer Advocate believes this onerous mandate will not measurably improve tax compliance—yet could cause small firms to lose customers.⁹

Perverse Incentives for Individuals NOT to Work. The CBO has concluded that the law will reduce the American labor supply by a net of about 750,000 jobs, finding that the law “will encourage some people to work fewer hours or to withdraw from the labor market,” and that “on net, [the law] will reduce the amount of labor used in the economy.”¹⁰

¹ “Pelosi to Aspiring Musicians: Quit Your Job, Taxpayers Will Cover Your Health Care,” CNSNews, May 17, 2010, <http://www.youtube.com/watch?v=TRY7Wvim8-8&feature=related>

² “Democrats Have Increased Taxes by \$670 Billion and Counting,” fact sheet by House Ways and Means Republicans, April 14, 2010, <http://republicans.waysandmeans.house.gov/UploadedFiles/DemTaxIncreases1.pdf>

³ Joint Committee on Taxation analysis of substitute amendment to H.R. 4872 in concert with H.R. 3590, March 20, 2010, <http://jct.gov/publications.html?func=startdown&id=3672>.

⁴ Senate-passed bill (H.R. 3590) text available at <http://www.opencongress.org/bill/111-h3590/text>; reconciliation bill (H.R. 4872) text available at <http://www.opencongress.org/bill/111-h4872/text>.

⁵ “Effects of Changes to the Health Insurance System on Labor Markets,” Congressional Budget Office, July 13, 2009, <http://www.cbo.gov/ftpdocs/104xx/doc10435/07-13-HealthCareAndLaborMarkets.pdf>

⁶ On the destructive effects of regulations, see [this study](#) performed for the Small Business Administration Office of Advocacy, which found that “the annual cost of federal regulations in the United States increased to more than \$1.75 trillion in 2008,” or more than \$15,500 per household.

⁷ Includes separate proposed rules, interim final rules, requests for information, notices, and other related regulatory actions related to the Patient Protection and Affordable Care Act (PPACA) released by federal agencies or published in the *Federal Register* between March 23, 2010 (the date of enactment) and December 31, 2010. Spreadsheet with citations and page counts available upon request.

⁸ National Federation of Independent Business release, July 25, 2010, <http://www.nfib.com/LinkClick.aspx?fileticket=e8uuuI20Cbs%3d&tabid=1083>

⁹ *Report to Congress: Fiscal Year 2011 Objectives*, National Taxpayer Advocate, Internal Revenue Service, June 30, 2010, <http://www.irs.gov/pub/irs-utl/nta2011objectivesfinal.pdf>, pp. 9-13

¹⁰ “The Budget and Economic Outlook: An Update,” CBO, August 2010, <http://cbo.gov/ftpdocs/117xx/doc11705/08-18-Update.pdf>